CAN WE KEEP A GOLD CURRENCY?

No previous year in our history has seen such an increase of the stock of gold in the United States as that which marks 1898. Our product for the year is believed to have exceeded that of the richest period of the California discoveries, our imports surpassed by 50 per cent. the highest sum ever before reported by our customs records, and these enormous receipts were offset only to an unimportant extent by exports. Looking at the influx from abroad, it is safe to say that no commercial nation has ever before received such a mass of gold in a single twelvemonth for the supply of its own requirements. Taking our mining product and imports together, our total receipts in 1898 exceeded even those of England, the great distributing reservoir of gold, which also then reached their highest point.

Although the course of trade which produced this remarkable result is sometimes spoken of as if it betokened some radical change in our commercial relations, careful examination will show it to have been the consequence of precisely the same influences as those previously at work in our foreign dealings. Allowing for changes wrought by eighteen years of rapid national growth, the course of our foreign trade from the fall of 1896 bears a strong resemblance to the wonderful tide ending in 1881, which established the permanence of the specie payments, undertaken with such doubtful prospect of success at the beginning of 1879. In both cases the United States were able to command gold until every reserve and depository was overflowing.

Still, at the bottom of much of the current discussion of financial questions, there is often found a doubt, express or implied, as to the ability of the people of the

United States to maintain a currency on the gold standard. This doubt relates to something more than our present ability to hold gold, with our paper currency in the top-heavy condition to which it has been brought by thirty years of haphazard legislation. It involves the much broader question whether there is not something in the economic characteristics or relations of this country, as compared with the other great commercial nations, which makes it difficult, perhaps impossible, for us to retain permanently what might otherwise be regarded as our natural proportion of the world's stock of money.

It is hardly surprising that this doubt should sometimes spring up. As no part of our financial system now works according to expectation, we have nearly the whole of the export demand for gold concentrated upon the treasury. Any cause which lowers the gold balance in the treasury, whether it be an unusual demand for the redemption of notes or a deficiency of revenue, weakens the sometimes narrow foundation on which our paper currency stands; and, as there is no provision for systematic repair, the possibility of a suspension of gold payments by the government instantly comes to mind. For the greater part of the time, in the last eight or ten years, the attention of the public has been fixed upon the treasury balance. Any movement in the wrong direction has been viewed with alarm, any demand for the redemption of legal tender notes has come to be described as a "raid," the export of gold has become an event of black significance. The line to be drawn between the embarrassments caused by remediable defects of system and those springing from some inherent financial incapacity of the nation, is not always made out with ease; and we can hardly wonder, therefore, that the doubt whether, under any arrangement of the currency, we can expect to hold our own in the competition of international exchanges should sometimes gain ground. It is on the fundamental question thus presented that I now propose to offer a few considerations.

The general advantages with which the United States enter the field of international trade are manifestly such as to raise a strong presumption in favor of our ability to maintain a gold currency, if we will,— a presumption to be controlled, if at all, only by showing the existence of some highly exceptional disqualifying condition. We have a territory of remarkable productive capacity, already developed to such a point as to place us in the first rank as a producing country. Our people have the qualities needed for the most effective use of this source of material wealth, and are practically free from the burdens of debt and armaments which fetter the energies of most of our rivals. Our industries are varied and highly organized; our industrial outfit for the production, transportation, and exchange of goods, is vast in extent, and in many branches of unprecedented excellence; and our accumulation of capital has been extraordinary in rapidity and amount, as is evidenced, significantly for the present purpose, by the supply of gold in our hands, which, by the mode of estimate followed by the treasury, must now largely exceed $900,000,000. To all this is to be added the fact that the United States have long been the first gold-producing country in the world, and that, if we now take the second place, this is not because our own annual supply has fallen off, but because that of South Africa has come into existence.

If now we seek for a possible disqualifying condition, tending to defeat the presumption created by these solid advantages, original and acquired, we must look for it either in the trade in merchandise carried on by this country with others, or in our strictly financial transactions with the rest of the world. It is only in dealings of these two kinds that we receive gold or part with it, on any great scale, and it is therefore in one or the other set of relations thus created that any such exceptional characteristic as is now sought for must exist.

Taking into consideration, first, the economic character of our exchange of merchandise with other countries, it is clear that, as regards the movement of gold, the position of the United States is one of singular advantage. This fact we recognize in our confident moods, but are inclined to overlook in the presence of any financial difficulty. Summarily stated, the advantage consists in this,— that our demand for the goods of other nations is, on the whole, far less intense than their demand for ours. This is, doubtless, at variance with much that is often said as to our tendency to over-importation; but the truth of the statement is demonstrated by well-recognized facts, of which the history of 1893 offers a convenient illustration.

The crisis of that year came on so late in the spring that the imports for the fiscal year ending with June show little trace of its effects; and their net amount, $849,800,000, is one of the highest then recorded. Under the pressure of the revulsion our imports for the next fiscal year, 1893–94, fell more than $211,000,000. A sudden change of that magnitude necessarily implies some extraordinary alteration of economic conditions, and great individual hardship as the result; but it also implies a wide range of adjustable demand, previously satisfied by imported goods. The nature of this demand is disclosed by the classification of imports in the treasury returns. Under Class I., articles of food (of which seven-eighths were made up by sugar, tea, coffee, and fruits), there was an increase of imports in 1893–94, amounting to over $6,000,000; under Class II., crude materials for domestic industry, there was a drop of 40 per cent., or nearly $90,000,000; under Class III., partially manufactured material imported for further manufacture, there was a fall of 31 per cent., or a little more than $30,000,000; under Class IV., manufactured goods for consumption, there was a fall of 35 per cent., or $51,000,000; and under Class V., luxuries, including silks, laces, tobacco, wines, and liquors, there was a fall of over 36 per cent., or $46,000,000.

These figures tell a plain story of enforced economy, by which a great people, under the pressure of a revulsion, changed for the time the scale and the distribution of their demands for consumption, slackened the productive machinery which supplied some great classes of demand, and undertook to live within their present available means. So far as our foreign trade was concerned, this economy was practised, not, indeed, with ease, but chiefly by cutting off the superfluities and the dispensable comforts of life and the material for their production, without, however, sacrificing the articles of necessary consumption, or even "the free breakfast table." Under similar pressure in other years the shrinkage of our demand has followed a similar course, marking a high degree of control on our side of the international trade.

If we look at the other side of the trade, and examine the demands made upon the United States, we find that cotton, breadstuffs, cattle, and provisions made up two-thirds of our domestic exports in 1893 and nearly two-thirds in 1894, the total rising from $831,000,000 in the former year to $869,000,000 in the latter. In neither year were our exports of these leading articles at their highest. Our cotton crop fell off in 1893 by more than 2,000,000 bales, and our yield of wheat fell in 1894 by more than 100,000,000 bushels. But the foreign demand for these products is plainly not a controllable demand in the same sense in which our demand for manufactures is controllable. The demand for cotton is as continuous as that for any article of consumption can be. Although our exports vary with the abundance of our crop, the purchases of Great Britain in a long series of years show great steadiness; and the United States still send to that chief customer as large a proportion of her annual supply as they did before the Civil War. Our cotton, in short, finds its market in bad years as well as in good. It supplies the indispensable material for a vast industry, which may indeed flag in bad times, but cannot stop.

Our exports of food, which are now seldom below $300,-000,000, swell, of course, with any deficiency of crops in Europe. The demand for them is imperative within the limits set by other sources of supply, and, when strengthened by the deficiency of those sources, is neither to be satisfied by a substitute nor to be reduced by economy of consumption. It may be said, therefore, of our great exports, that the demand made upon us for cotton is constant and imperative, and that the demand for breadstuffs and provisions, though irregular, is always large and often of remarkable intensity.

The extraordinary movement of gold to this country beginning in 1896 is the latest proof of the importance of this characteristic of the relative demands of the United States and of the other leading commercial nations. Illustrations to the same effect, however, can easily be found in the statistics of our foreign trade, all going to show that, while, like any rapidly developing nation, we often by large imports strain our ability to pay, any severe pinch finds us able to forego a large amount of purchases,—which, after all, are not for the supply of imperative wants,—and thus to check the outflow of gold; and that, on the other hand, the urgent demands made upon us frequently turn the current of gold in our direction with amazing force. That these urgent demands are irregular is an undeniable drawback to the advantage which we enjoy. Our command of the situation, which is now intermittent, might no doubt be constant, and the change in the volume of our trade less serious, if the need for our products were always felt at its maximum by our chief customers. This irregularity, however, is the condition annexed to the enjoyment of a resource which has no parallel in the commerce of the world.* How far it can be thought to place us at a disad-

* The extent of the irregularity may be seen by the following statement of the percentage ratio of the annual export of breadstuffs, provisions, and food animals compared with the mean for the last ten years: —

1889	1890	1891	1892	1893	1894	1895	1896	1897	1898
.69	.91	.84	1.34	1.03	.98	.76	.88	1.05	1.52

vantage compared with other countries as regards ability to retain a gold currency will be seen more plainly when we come to consider the actual movements of gold to and from the leading nations respectively. For the present it is enough to point out the strong probability that a trade in which we buy for the satisfaction of our own secondary wants and sell chiefly to supply the primary needs of others, whether the course of this trade be uniform or not, gives us a position of exceptional advantage. It is at any rate certain that it presents no reason for concluding that the United States have any peculiar incapacity for retaining gold.

Turning now to the other quarter in which any disqualifying condition for maintaining a gold currency must be sought,— the strictly financial relations of this country with others,—we have to deal with a state of things far more complex than that already considered, in which misconception is far easier. Extraordinary rapidity of development and the possession of resources which offer a vast field for investment have made the United States the greatest borrower in the modern world. In saying this of our people as a community, the word "borrow" is used in a wide sense, to include all the forms in which foreign capital is employed within our limits in uses to which domestic capital must otherwise have been applied. Whatever form the evidence of the transaction may assume, whether it be found in national, State, corporation, or individual indebtedness, in the bonds or in the stocks of railways or industrial enterprises, or in the private ownership of manufacturing establishments,— in all these cases and under many other disguises, the people of the United States as a whole are employing foreign capital in the support of their general system of industry. The interest, the dividends, or the current profits, if any, are the reward of the lender: the general gain, conven-

ience, and stimulus coming from the development of a particular resource or industry, or from the more rapid and symmetrical development of our system as a whole, inures to the advantage of our own community. Borrowing in this sense we have carried on for a century upon an ever-increasing scale, and shall doubtless long continue to carry on, unless we wantonly sacrifice our unexhausted ability for vigorous advance.

As great debtors, in this large sense, the United States have necessarily great payments to be made to their creditors,—to be made according to the standard of the commercial world, and therefore called, conveniently enough, gold payments. This consequence of our position as a debtor nation is habitually spoken of as a perpetual drain upon our stock of gold and as a necessary hindrance to the maintenance of a gold currency. And yet nothing is more certain than the fact that the interest, dividends, and profits upon foreign capital employed in our industries are no more a drain upon our gold than any other debts to be paid in the markets of the world. They no more require the export of gold than a payment for goods or securities; and even if by their terms the payment is to be made, not, we will say, in pounds sterling, but specifically in gold coin, neither the obligation nor the mode of its execution differs from that of the payments habitually made in foreign trade. It is not, even in this case, the actual transportation of metal across the Atlantic that is called for, but the payment of metal in London, Paris, or Frankfort, the debtor providing the means of payment at that place as he finds easiest,—by selling American wheat or cattle, or perhaps by a fresh loan.* In fact, in the actual process of settlement, one international

* Thus the Geneva award of 1872 required the payment of $15,500,000 by England to the United States "in gold." The gold was paid to the treasury, but the transfer across the Atlantic was made by a shipment of United States bonds which had been called for payment. F. W. Hackett, *The Geneva Award Acts*, p. 176.

liability is like another. They all take their place among the conditions which regulate the barter of commodities between nations, stimulating sales here and discouraging them there, and thus by their action on the relative level of prices requiring habitually only the clearing of comparatively moderate balances. "Gold interest" and the like, in the settled course of trade, simply call for the regular export of a larger amount of salable commodities, the proceeds of which are finally converted, in the foreign market, into that medium which secures the execution of the contract for foreign interest payments.

Without further exposition of these familiar facts, it is enough for the present purpose to point out that, although a systematic course of foreign payments on a large scale may have much to do with the habitual level of prices in the country making the payments, it has no tendency to strip the country of the gold necessary to carry on its home transactions upon what has become, for it, the normal level. It is only when we come to the return of borrowed capital, or to the transfer in either direction of securities which represent debts, that we find in the relations of the borrower anything that can be treated as a permanent disturbing element. Indeed, the return of borrowed capital, or, in other words, the payment of debt, can also be set aside as little likely in practice to be the cause of serious disturbance, so steadily is cancelled debt replaced by fresh borrowing. It is the transfer of securities as investments or for speculative purposes, sometimes in large masses, acting as an unseen import or export, and therefore calling for settlement in precisely the same way as a movement of merchandise, that is most important from the present point of view. It is this which, at all events, appears to be the cause of most frequent anxiety as to the drain of specie. The possibility that, at some moment of stress on one side of the water or the other, stocks and bonds to an unknown amount may be

launched by London upon the New York market, creates a vague apprehension, all the more disturbing because the facts involved can never be measured with precision.

No doubt the great class of "international securities," which have so important a place in the operations of modern finance, while they facilitate settlements and make transactions easy which would otherwise be impossible, at the same time often make the movements of commerce unsteady, and increase the swiftness and intensity of their changes. This, again, is a drawback suffered for the sake of great benefits enjoyed, the world being, on the whole, immeasurably the gainer. In the use of these securities the United States have a leading share, not only because of the extent of their general dealings, but because so large an amount of the securities are issued and domiciled in this country, and so find a natural market here. It is not probable, however, that, either in the general trade of the world or in our particular trade, the movements of gold have been increased by the dealings in this kind of property. On the contrary, it is more probable that, like any other improvement which introduces new varieties of desirable exports, the increased movement of securities has, on the whole, tended to diminish the transfers of gold relatively to the value of goods exchanged, and that this relative diminution has been felt in the trade of the United States,* although with our growth the absolute amount both of goods and of gold has vastly increased.

* In the last five decades the aggregate imports and exports of merchandise by the United States, compared with their aggregate import and export of gold, have been as follows: —

	Merchandise.	*Gold.*	*Percentage of Gold to Merchandise.*
1849–58	$4,621 millions	$389 millions	.0842
1859–68	5,641 "	704 "	.1248
1869–78	10,118 "	530 "	.0524—
1879–88	14,098 "	571 "	.0405
1889–98	16,848 "	1,094 "	.0649+

The exceptional conditions of the second and fifth decades require no comment.

But our present inquiry is whether the dealings in international securities make the hold of the United States upon a specie currency weaker than that of other countries which successfully maintain such a currency. It would be strange if this were the case; for, as they sell what we buy and buy what we sell, any disturbing tendency felt by us must also be felt by them at some stage in the series of operations. London, for example, is a buyer when New York sells and a seller when New York buys, having the same sensitiveness to an outflow of gold and even greater anxiety as to the sufficiency of the export trade to counteract any serious drain. If, on the whole, New York is weakened by this class of operations, often no doubt highly speculative, is not London also weakened by a similar process? Do we, in fact, lose anything in the comparison of our position and its advantages with those of the country which for nearly eighty years has maintained a sound specie currency without interruption? The truth is that on each side of the water international securities, when imported, are an import of the class not necessary for the satisfaction of any imperative want, and are bought therefore because the purchase is likely to be profitable, and, when exported, are sold, if at all, for such price as the purchaser judges to be for his advantage. The disadvantage of having them crowded for sale upon the home market, so often dwelt upon in discussion in this country, is, at all events, slight in comparison with the disadvantage suffered by the country which finds itself compelled to make unusual purchases of food or of any great staple for manufacture.

It is convenient, at this point in our discussion, to consider briefly the special advantage, as compared with the United States, which England is often said to derive from her peculiar position as a commercial nation. "England," it is said, "being the great creditor country of the world,

can draw gold as she pleases from any quarter, whereas this is a debtor country, never secure against demands from abroad." This idea of the practical command of the gold of the world lying in the hands of the great creditor, perhaps owes its origin partly to the fact that the commercial relations of England make her the agency through which a large part of the gold produced by the United States, Australasia, and South Africa, finds its way into the currency of the world at large, and partly to the visible movements of that great financial barometer, the Bank of England rate. It is true that her function as the distributor of gold does not enable England to retain more than a rather small proportion of what comes into her hands. It is also true that the sliding scale of discount, by which the Bank of England protects its own reserve and is apt to give the signal for the London market generally, is a means of defence in no way peculiar to that institution. It is used systematically and quite as effectively by the German Reichsbank. The apparent neglect of it by the Bank of France is due, partly to the fact that the enormous stock of metal in the bank enables it to yield up gold, if need be, to a great amount with no sensible inconvenience, and partly to the fact that, by charging a premium upon gold, the bank is able to mask its defensive policy, and to preserve a generally uniform rate of discount with little regard to an outflow of money. The English method may in fact be seen at work in our own country, in a less definite form, but with similar effect, in the changing rates of interest prevailing in the great money centres.* Nevertheless, the facts that the great streams of gold converge in England and diverge from her, and that the Bank of England conspicuously acts with reference to them, are enough to account for the general impression that the controlling power is to be found there.

* The following extract is from the hearing before the House Committee on Banking and Currency, 1897-98, Hon. C. S. Fairchild being under examination:

But, besides these crude conceptions of the practical working of English commerce, there is something more implied in the common idea of England as "a creditor country." A creditor can call for the payment of debts due to him, and can require payment in money. Cannot England, then, call in her dues in gold, the world's money? Of the fallacies involved in this argumentative question, let us consider the fallacy of personifying England,— of saying "England" when we really mean "some Englishmen." By a figure of speech the country is presented to the mind as a community having a single directing will, a single interest and determining purpose, extending credit or collecting debts from definitely formed policy, and capable of saying to itself upon occasion that gold, and not commodities, must now be secured in payment. This might be true, in a degree, if the English polity were communistic, and if a committee directed the operations of the banks, the commerce, and the manufactures of England, and made provision for her daily consumption. But the real case to be kept in mind is that in which, instead of a single conscious will governing her action, there are some millions of individual wills, each determining within its own sphere; and, instead of a single clear line of chosen policy, there is only the confused outcome of the varying interests and needs of vast numbers of men.

In this, the actual state of things, the demand of one

"Mr. Fairchild [referring to the raising of its rate by the Bank of England].— Now in this country the same thing takes place when a man borrows a million dollars to pay a debt abroad. It makes a diminution of the loanable funds, and that of itself works an increase in the rate of interest; and, when that rate of interest becomes large enough, the seller of exchange, instead of meeting his remittances by the actual shipment of gold, finds a cheaper way to meet his bill of exchange. We do not have to have any specific measures to clothe banks with specific power to do that. It does itself. It is one of the natural laws which works itself out; and, if we do not put any impediment in the way, it will take care of itself. That is my judgment about it.

"Secretary Gage.— I agree with what Mr. Fairchild has said." *Report*, p. 135.

class of the population for cotton to spin, and the demand of others for wheat or for beef, are not and cannot be subordinated to the desire which any set of men or of institutions may feel to see gold flow in. On the contrary, the requirements for consumption, determined by the occupations and relations of a great people, are fundamental conditions, to which financial interests and policies, under whatever name, must of necessity conform their action. For illustration we need not go farther back than the great export movement of 1896, which between August 1 and December 1 brought into the United States $74,000,000 of gold, $40,000,000 of it coming from England. Although the Bank of England in seven weeks raised its rate from 2 per cent. to 4, it could not stop the outflow which in four months drained one fourth of its specie from its vaults, so uncontrollable are the currents which take their rise in the needs and habits of a whole people. The great trade movements of a country like England can never be concerted or calculated movements, as the language used about them often seems to imply. They are the result of forces quite independent of each other in origin and often in strong conflict, which the small fraction of men known as the financial world cannot withstand or govern, but which they can often turn to account.*

These considerations — no doubt sufficiently obvious, but often neglected — apply to the action of England as a purchaser of merchandise from other countries. They also have a close application to her action as a holder of the securities of other countries. The class of Englishmen who hold foreign bonds or stocks as an investment will, no doubt, act at times under a common impulse of con-

* How impossible it is even for a syndicate comprising "every banking house and every bank in New York City, with important European connections," to control, beyond certain limits of time and favoring circumstances, the course of foreign exchange, is well shown by Mr. Noyes in his account of the gold movement in 1895. *Thirty Years of American Finance*, chap. x.

fidence or distrust, as investors do in our own country. This action may seriously disturb the financial relations of their own country with others and affect the movement of gold for a time, between England and this country, for example, as it has been seen to do. This is, of course, to be noted as an element of instability in our international finance, which must be recognized, although there may be a question whether a set of trade relations, which already include many unstable elements, is, in fact, made any more unstable by the introduction of another class of variables, with its chances of compensatory action. But it concerns us to notice that this action of English investors, although the result of a common impulse, is no more a concerted action than the movement in which English mill-owners buy cotton, eagerly or sparingly, as the case may be. It is the action of a great body of individuals, seeking advantageous employment each for his own capital, encouraged or disheartened by current opinion as to American securities, and neither bidding against each other nor selling at a loss in order to affect the general money market or turn the stream of gold. Even the class of bankers and other temporary holders of securities for speculative profit — a class of men as little disposed as any to sell their property at a sacrifice — act in the same manner, according to the dictate of individual interest, and under no leadership or control which could justify the conception of concert and dangerous singleness of aim, which we have been considering.

It is perhaps hardly necessary to point out that, when we thus take into account the complex influences which must at any given time determine the course of dealing between England and other countries, gold loses a part of the quality as a *quasi*-legal tender for international trade, sometimes ascribed to it in current discussion. As a commodity, in universal demand at some rate or other, it can always be used in payment by the debtor nation, if

offered on terms satisfactory to the creditor nation. But payment in gold cannot be required by the latter so long as there is, among the millions of its population, any sufficiently large class of wants demanding for their satisfaction the merchandise exports or the securities of the debtor in preference to money. The legal tender law of the place necessarily regulates the mode of payment in London, to be observed by each individual debtor; but, as has already been pointed out, it is no part of that law, nor is it a necessity of the case, that the debtor should have transported his means of payment across the Atlantic.

The conclusions reached by these general considerations are greatly strengthened, when we apply to them the test of observed facts. England, France, and Germany are the countries upon which the United States chiefly draw for gold, and by which the United States are most heavily drawn upon, all three successfully maintaining their currencies upon the gold standard. How, then, do the actual movements of gold into and out of the United States, for a series of years together, compare with similar movements as reported by the three countries named? For the purpose of this inquiry the nine calendar years from 1882 to 1890 are first taken, as making up what can be called a fairly normal period. They begin after the close of the great influx of gold which insured the success of specie resumption by the United States, and they end before the subsequent saturation of our currency with paper and silver had caused serious disturbance. They include years of great prosperity, and they cover the period of depression following the financial crisis of 1884. Both the products and the imports of gold by the United States are given, to show our total receipts from year to year; and against them are set our annual gold exports. Annual imports and exports of gold are also given for each of the other countries, all being stated in dollars for convenient comparison.

[IN DOLLARS,— 00,000 OMITTED.]

	United States.			England.		France.		Germany.	
	Prod't	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.
1882 . . .	32,5	13,4	38,7	70,	58,5	54,7	39,1	6,8	9,3*
1883 . . .	30,	22,1	6,	37,7	34,5	12,5	26, *	4,9	10, *
1884 . . .	30,8	28,	40,9	52,3	58,5*	24,6	15,8	4,4	7,9*
1885 . . .	31,8	23,6	11,4	61,3	58,1	47,	38,8	10,1	6,4
1886 . . .	35,	41,3	41,3	63,	67,1*	50,4	38,2	11,2	5,5
1887 . . .	33,	44,9	9,1	48,5	45,4	18,	49,8*	13,2	4,
1888 . . .	33,2	11,	34,5	76,9	72,8	19,5	37,1*	39,9	23,9
1889 . . .	32,8	12,	50,9*	87,2	70,4	65,2	25,	15,7	12,5
1890 . . .	32,8	20,2	24,1	114,8	69,6	22,6	48,3*	24,2	9,9
Totals . .	291,9	216,5	256,9	611,7	534,9	314,5	318,1	130,4	89,4
Average	32,4	24,	28,5	68,	59,4	34,9	35,4*	14,5	9,9

It appears that during these nine years the United States parted, on the average, with about one-half of the gold received by them from the mines or from abroad, and that England parted with seven-eighths of the gold received by her. These two countries, the United States as a mining country and England as the great commercial centre, acted as the distributors of an immense addition annually made to the world's stock of money, each retaining its own proportionate share. In this operation, each country was, to a great extent, a natural exporter of gold. Neither, in fact, could avoid exporting heavily, so long as its trade or its mines brought in a supply obviously so far beyond its power of healthy absorption. Of the two, it is important to observe, the United States had the firmer hold upon gold, so that this country was able to carry on the accumulation which it had begun to make in the later years of the long suspension, and thus to strengthen steadily the specie basis of its paper currency. The annual supply of the United States was also the more constant, its minimum being .78 of its average and its maximum

* Export exceeds receipt.

1.38, whereas the annual supply of England ranged more widely, from .55 to 1.69 of its average. In the year of strongest export by the United States, their ratio of export to supply was scarcely higher than that of England in her strongest exporting year; and there were two years of the nine in which the United States exported less than .12 of their supply, whereas in no year did England export less than .60 of hers. Finally, England shows two years with an excess of exports over receipts of gold, and only one is shown by the United States.

As for France, her imports and exports of gold during these nine years are remarkable for their great amount, for their extreme irregularity from year to year, and for their close approach to equality, taking the whole period together. Germany also exhibits great irregularity of movement, with a constant accumulation in progress for all but the earlier years, the amounts actually moved being, for the most part, of but moderate importance.

Without pursuing further the comparisons suggested by this table, it is clear that during this period the United States were not only relatively, but absolutely, strong in gold, and gave full proof of ability to maintain their currency upon this standard, and this notwithstanding an infusion of nearly $300,000,000 of legal tender silver. But the turning-point was reached by 1890. The accumulated mass of silver coin, the issue of more legal tender paper for the purchase of a vast weight of silver bullion,*

* The Secretary of the Treasury said to a committee of the House of Representatives, December 16, 1897: "I have asked a gentleman in New York, . . . who has been Treasurer of the United States, and who has been Assistant Treasurer in New York for many years, Mr. Conrad N. Jordan, about this. He is in a position where he watches pretty closely the movements of foreign exchange. . . . He says it is the last $200,000,000, which has put us to the blush all the time, that has been our trouble. If we get rid of $200,000,000, and get a sufficient gold reserve, we will not be troubled; and the country will not fear that we are going to break." *Hearings and Arguments before the House Committee on Banking and Currency*, 1897-98, p. 23.

Mr. Jordan's $200,000,000 apparently represented the treasury notes of 1890, $114,000,000, and an increase of silver certificates from July, 1890, amounting to about $86,000,000 more.

the gradual conversion of that bullion into standard dollars, contemplated by the law and set in operation, the loss of confidence in the stability of gold payments by our government, and our increasing discredit abroad,— all combined thenceforward for several years to loosen the hold of the United States upon gold. Violent financial revulsion was the inevitable result; and, in the eight calendar years from 1891 to 1898 inclusive, gold moved between this country and Europe in heavy surges, as shown in the following table, compiled on the same plan as that already given for the years 1882–90: —

[In Dollars, 00,000 omitted.]

	United States.			England.		France.		Germany.	
	Prod't	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.
1891 . .	33,2	45,	79,1*	147,4	117,7	69,9	45,4	52,6	28,9
1892 . .	33,	17,5	76,5*	105,1	72,2	74,8	21,5	42,5	35,6
1893 . .	36,	72,8	79,8	120,9	94,9	58,9	22,6	33,3	24,2
1894 . .	39,5	20,6	101,8*	134,3	76,2	89,1	20,8	72,5	12,7
1895 . .	46,6	32,5	104,6*	175,4	104,1	49,	47,2	23,2	19,6
1896 . .	53,1	104,7	58,3	119,2	146,7*	58,1	60, *	52,4	47,
1897 . .	57,4	34,	34,3	146,7	150, *	56,6	25,4	36,8	28,2
1898 . .	[67,5]	158,2	16,2	212,8	178,1	38,4	60,4*		
Totals .	366,3	485,3	550,6	1,161,8	939,9	494,8	303,3		
Average	45,8	60,7	68,8	145,2	117,5	61,8	37,9		

In this table the change wrought in every column by the exceptional year 1898 is so marked that it is worth while to consider the facts as they stood at the close of 1897, when the footings were as follows: —

	United States.			*England.*		*France.*		*Germany.*	
	Prod't	*Imp.*	*Exp.*	*Imp.*	*Exp.*	*Imp.*	*Exp.*	*Imp.*	*Exp.*
7 years . .	298.8	327.1	534.4	949	761.8	456.4	242.9	313.3	196.2
Average .	42.7	46.7	76.3	135.6	108.8	65.2	34.7	44.8	28

The relation of the United States to the three other commercial countries then showed a remarkable change

* Export exceeds receipt.

since the period closing with 1890. Instead of being the greatest accumulator of gold, this country had become the least, and France held the first place. Instead of our supply from all sources being the most constant of all, the range between its minimum and maximum was the greatest; and, in years of greatest export, our ratio of export to supply was the highest. And yet, taken by itself, the exhibit for the United States indicated a far greater power of resistance to a continued drain than might be inferred from this comparison with other countries. Omitting 1896 and 1897, when the tide had turned again in our favor, the five years, 1891–95, showed a total net loss by the United States of scarcely more than $65,000,000; and, even if we add to this the estimated amount of gold used in the industrial arts, we have an aggregate loss from our stock not exceeding $142,000,000 in five years of unexampled disturbance,— a loss more than made up by the returning current of the next two years.* After all, in the series of seven years in which our legislation might almost be thought to be expressly designed to expel gold from the United States, our exports were not quite seven-eighths of our receipts from imports and mines. In the same years taken together, England also exported nearly in the same proportion, parting with four-fifths of all her receipts.

Violent as the changes were in these years, the years of recovery came with singular promptness. In 1891 and 1892 our exports of gold were greater than our receipts; and yet in 1893 the returning current gave us a favorable balance for the three years. Both 1894 and 1895 carried out a balance of gold, but 1896 turned the scale in our

* The treasury estimate of the stock of gold coin and bullion in the United States gives the following sums: —

December 31, 1890	$704,100,811
December 31, 1895	597,927,254
December 31, 1897	752,316,476

Report of the Treasurer for 1898, p. 110.

favor for another three-year period. 1897 practically left us in possession of our own product, and then came 1898, with such a tide in our favor as to completely distort the comparative results of the first seven years of the period. Taking the average for the eight years, 1891 to 1898, the United States again appear as the greatest accumulator of gold, parting with less than two-thirds of their gold receipts, whereas England in the same years parted with more than four-fifths of hers.

How large the accumulated stock of gold in the treasury, in the banks, and in the hands of the public, has become in the twenty years since specie payment was resumed, is a question as to which the treasury estimates may at least give us an approximation. Starting with an estimate of about $213,000,000 in June, 1878, and following month by month, with great minuteness, the coinage and the movements of American coin in and out, the statisticians of the treasury gave us in the latter part of 1881 a stock of over $500,000,000, and, with occasional relapses, brought the estimates to $700,000,000 by 1888, and to $900,000,000 by October, 1898. The sums are vast, and it has never been easy to account for the great amounts which must be supposed to exist outside of the visible depositories. Still, the figures, when checked by the operations of the mint and by the annual product and movement in foreign trade, conform sufficiently well to the rough probabilities of the case. They give a solid assurance that, as a support for our monetary system, we have a stock of gold sufficient, and sufficiently nourished by the resources of mining and commerce, to meet the needs of a great and growing nation. Actual or probable inadequacy of supply cannot be alleged as a condition operating to our injury.

This, then, is the state of the facts. Our gold is at times drawn from us in considerable amounts, which, however, bear but a low ratio to our total stock, and are

drawn away in no small measure by the aid of our own improvident legislation. The recovery comes with no great delay, and with extraordinary completeness, as the result of economic advantages of which imprudent policy may impair, but cannot destroy, the value. No reverse is strong enough to wrest our gold currency from us. And yet, judging from the past, two or three years may be enough to carry us from our present extreme of confidence to the same dread that the foundation is slipping from under us, that mastered the public mind in 1893 and 1896. We have the material to build a system as solid and as calmly enduring as that of England, but our failure for twenty years to bring into order our piecemeal legislation on this subject, has cost hundreds of millions in shattered enterprises and stagnant industry. The foolish boast which some of our public men were fond of making a few years ago, that our currency system is the best ever known, and indeed perhaps perfect, is not current at present. In fact, there are not many who do not condemn the system for one reason or another. Still there is a perilous delay in the work of reform.

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